

Stronger Emphasis on Financial Literacy to Foster Entrepreneurial Intention - a Review

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Abstract

Financial literacy becomes a critical asset for aspirational entrepreneurs navigating challenging economic landscapes. It empowers individuals to effectively manage their finances, mitigate risks, and make informed decisions amidst uncertain market conditions. Studies include multifaceted exploration of financial literacy within entrepreneurship. While existing literature reviews offer valuable insights into the connection between financial literacy and entrepreneurship, a gap remains in understanding how financial literacy fosters entrepreneurial intention. Unemployment remains a significant challenge, and many developing countries like South Africa face high unemployment rates and low financial literacy. A critical review of global studies on financial literacy and entrepreneurial intent yields findings that merit consideration. While research on the connection between financial literacy and entrepreneurial intent has grown in recent years in developed and developing countries, it remains a relatively understudied area. The findings suggest that financial literacy generally correlates with a higher likelihood of starting a business, although other factors might influence this relationship. Some studies suggest it is a stronger motivator for men than women. By synthesising findings from various studies, the review can contribute to a deeper understanding of the relationship between financial literacy and entrepreneur intent, informing policy decisions and strategic intervention to create an environment that encourages and empowers individuals to pursue their entrepreneurial aspirations.

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1. Introduction

1.1. Background

Unemployment, especially among the youth, has emerged as a pressing global challenge affecting developed and developing nations. While the specific manifestations of unemployment vary across countries, the impact on young people, a vital demographic, is consistently severe. The challenge of youth unemployment is compounded by the fact that young people possess the energy, creativity, and potential to drive economic growth and social progress. When their skills and talents are not utilised, it represents a significant loss of human capital. Unemployment can contribute to a decline in living standards (Pilkauskas et al. 2012), happiness (Frey & Stutzer 2000; Wilkenmann & Wilkelmann 1998), health issues (Jin et al. 1995; Paul & Moser 2009), well-being (Dolan et al. 2008) and contribute to increased poverty (Saunders 2002),

According to the International Labor Organization (ILO), an estimated 65 million young people worldwide were unemployed in 2023 (ILO n.d.). Furthermore, 20.4% of youth were not engaged in employment, education, or training during the same year (ILO n.d.). Moreover, a substantial disparity in employment opportunities persists between high-income and low-income countries. In 2023, the job gap rate² was significantly higher in low-income countries (20.5%) compared to high-income countries (8.2%) (ILO 2024). Similarly, the unemployment rate was elevated in low-income countries (5.7%) relative to high-income countries (4.5%) (ILO 2024).

The prevalence of youth unemployment poses a significant threat to many developing countries' social, economic, and political stability (Holleran 2019). Economically, it can lead to labour market instability, increased welfare expenditures, a decline in tax revenues, and wasted investments in education and training. Furthermore, where poverty rates are high, the economic necessity for all household members to contribute to income generation exacerbates the problem. In developing countries with high unemployment rates, the profound economic impact of unemployment underscores the urgency of addressing the interrelated issues of poverty and social inequality in achieving the 2030 Sustainable Development Goals (SDGs). The situation in South Africa provides a compelling illustration of this concept. South Africa's unemployment rate stood at 32.9% in the initial quarter of 2023, ranking among the highest globally (Stats SA 2023), where the youth are particularly vulnerable in the labour market. Statistics reveal that 45.5% of young people aged 15-34 are unemployed, surpassing the national average (Stats SA 2024). Despite strides in poverty alleviation since 1994, around 55.5 per cent of the population has grappled with poverty at the national upper poverty line in 2014, thirty years later. Concurrently, 25 per cent of people face the harsh reality of food poverty (World Bank 2020).

² The number of unemployed individuals actively seeking employment.

Unemployed individuals motivated to take control of their careers may find entrepreneurship particularly appealing. Self-employment and entrepreneurship offer viable alternatives for unemployed youth seeking work but cannot find suitable employment when traditional job markets are saturated or limited. These avenues allow individuals to create their own opportunities where formal employment may be scarce. Across various behaviours, an individual's intentions are the strongest predictor of what they actually do (Ajzen 1991). Entrepreneurial intent, or the desire to start a business, often serves as a precursor to entrepreneurial activity (Gartner et al. 1994), and it has emerged as a foundational construct within the theoretical framework of entrepreneurship (Thompson 2009). Individuals with a strong entrepreneurial intent are more likely to seize opportunities, overcome challenges, and persevere in the face of adversity. In light of this imperative, fostering an environment conducive to entrepreneurship aims to empower individuals and communities with the tools they need to break the cycle of unemployment. However, individuals with an entrepreneurial drive may be deterred from pursuing business ventures if they lack sufficient financial literacy.

While research and reviews have explored the link between financial literacy, entrepreneurship, and its subsequent growth (Baporikar 2024; Calcagno et al. 2020; Khyareh & Zivari 2023), this paper adopts a more specific lens. It investigates existing research on the role of financial literacy in shaping entrepreneurial intention. By focusing on financial literacy, the study aims to contribute to the existing body of knowledge by examining existing research to establish if there is a link between financial literacy and the desire or motivation to pursue entrepreneurial ventures. This investigation is particularly relevant in developing countries grappling with significant unemployment, poverty and often low financial literacy.

1.2. Problem Statement

Many developing countries grapple with high unemployment, poverty, and low financial literacy (Ngubane et al. 2023; Refera et al. 2016). While fostering entrepreneurship is widely seen as a key solution for unemployment and economic growth rates, a critical question remains: what factors influence aspiring entrepreneurs to take the first leap and turn their ideas into reality? Understanding these barriers is essential for designing effective programs that empower the youth to become the job creators of tomorrow.

Numerous studies have explored the impact of financial literacy on various aspects of entrepreneurship (Changwasha & Mutezo 2023; Chhabra et al. 2023; Iram et al. 2023; Li & Qian 2020; Peter & Gupta 2024; Nik Azman et al. 2023; Ricci & Santilli 2024). The existing studies served as a broader literature review, encompassing the overall role of financial literacy in entrepreneurship development. Furthermore, several literature reviews have been conducted on the role of financial literacy on entrepreneurship (Albastiki & Hamdan 2019; Baporikar 2024; Cossa et al. 2018; Khyareh & Zivari 2023). While these existing literature reviews offer valuable insights into the connection

between financial literacy and entrepreneurship, a gap remains in understanding how financial literacy fosters entrepreneurial intention.

Given the prevailing issues of high unemployment and low financial literacy in developing countries, this paper focuses on how financial literacy can cultivate entrepreneurial intention. This paper focuses on existing literature to assess if financial literacy empowers individuals to initiate and develop new ventures. This focus is on the background of the high unemployment and low financial literacy in developing countries, especially among youth. The gap lies in the shift from a general impact to the specific processes through which financial literacy fosters this entrepreneurial spirit. The desire to start a business, known as entrepreneurial intention, is often the first step to becoming an entrepreneur (Quan 2012). This aligns with the focus on whether financial literacy may influence entrepreneurship, especially in developing countries.

1.3. Research objectives

Through a systematic review of global scholarship on financial literacy, this study aims to distil pertinent findings to consider within the unique context of developing countries to promote entrepreneurship. By synthesising insights from diverse geographical and socio-economic contexts, this endeavour seeks to inform policy interventions and educational initiatives tailored to enhance financial literacy in the entrepreneurial ecosystem, thus fostering sustainable economic development and prosperity. Against the backdrop of soaring unemployment rates, a pressing need exists to nurture entrepreneurship as a catalyst for economic growth and empowerment. In this pursuit, the research objective is an examination of existing research on the role of financial literacy on entrepreneurship intent. The subobjectives include:

- 1) To explore and describe the significance of financial literacy for entrepreneurial intent.
- 2) To identify potential research and policy implementation.

With the groundwork laid, the following section explores the relationship between unemployment and entrepreneurship, financial literacy and the current entrepreneurship landscape, drawing upon South Africa as a paradigmatic example of a developing country beset by high unemployment and low financial literacy. It examines existing research on financial literacy and its connection to entrepreneurial intent. Section 3 outlines the methodology employed for this investigation, followed by section 4, which presents the findings. Finally, section 5 draws conclusions based on the research, offering valuable insights and recommendations for fostering a more robust entrepreneurial ecosystem.

2. Literature Review

To contextualise the unemployment crisis, the literature review will focus on South Africa, a nation grappling with severe unemployment rates and low financial literacy levels. This discussion will highlight the specific challenges and opportunities developing countries face in this regard.

Given the high unemployment rates in many developing countries, South Africa, with its particularly challenging unemployment situation, will be discussed to illustrate these broader global challenges.

2.1. Unemployment and entrepreneurship

Unemployment remains a significant challenge, posing numerous socio-economic implications (Gjokaj et al. 2018; Jeke & Wannu 2021; Khalid et al. 2021). Despite efforts to address the issue, many countries continue to grapple with high joblessness. Countries with high unemployment rates struggle to create sufficient employment opportunities to meet the growing demand. Persistent unemployment disproportionately affects the youth, exacerbating inequality and hindering the country's progress (Jeke & Wannu 2021). The Global Entrepreneurship Monitor reports a positive correlation between economic growth rates and nations with a higher prevalence of entrepreneurs and a more active entrepreneurial environment (Hill et al. 2022). Entrepreneurship significantly boosts economic growth (Korent et al., 2015) and can be a powerful tool in reducing unemployment by creating new job opportunities and fostering economic growth (Wennekers & Thurik 1999). In the wake of the COVID-19 pandemic, many households have lost their primary source of income (Mamgain 2021; Stats SA 2020), which may have led to a surge in business creation out of necessity. In Nigeria, job losses during the pandemic have driven household heads, particularly males, to encourage entrepreneurial innovation (Wahab et al. 2023). Entrepreneurship is increasingly seen as a critical pathway to economic empowerment and poverty reduction in developing countries grappling with high unemployment (Si et al. 2015). A positive growth rate in entrepreneurship is associated with a decrease in the unemployment growth rate (Audretsch & Thurik 2000; Thurik et al. 2008). Furthermore, entrepreneurship offers self-employment, job creation, and income generation opportunities, fostering economic growth and financial inclusion.

Thurik et al. (2008) challenged the view of self-employment and unemployment and analysed a comprehensive dataset from OECD countries, revealing a two-way relationship between these factors. Their model showed that increases in unemployment lead to more people starting their own businesses, while a rise in self-employment can subsequently reduce unemployment rates. Similar observations have been reported in South Africa, where micro-enterprises (specifically handicrafts) have the potential to create jobs and sustain livelihoods (Abisuga-Oyekunle & Fillis 2017) and positive correlations between entrepreneurial activity, economic growth, and employment (Musara et al. 2020). Fostering a culture of entrepreneurship and creating an environment that supports

entrepreneurial endeavours could be a powerful tool to alleviate the challenges of unemployment, poverty, and inequality (Musara et al. 2020).

2.2. Entrepreneurial intent

Entrepreneurial intention, the precursor to action in starting a business venture, is a critical aspect of the entrepreneurial process (Bilal et al. 2021). The choice to embark on an entrepreneurial path is often seen as a deliberate and conscious decision prompting an exploration into the factors influencing this decision-making process where entrepreneurial intentions serve as the initial phase in the progression toward venture creation (Liñán & Chen 2009). Thus, the intention to initiate a business venture becomes a fundamental precursor to engaging in entrepreneurial activities. Frese and Fay (2001) introduced the concept of personal initiative, a way of working that involves taking initiative and being proactive to achieve goals, even in the face of obstacles. The authors suggest that personal initiative empowers individuals to handle work challenges, including unemployment and becoming entrepreneurs.

Aspiring entrepreneurs with strong entrepreneurial intentions are more likely to actively pursue entrepreneurial opportunities, mobilise resources, and overcome obstacles to initiate and sustain their ventures. Moreover, entrepreneurial intention is critical to innovation, economic growth, and job creation. The desire to become an entrepreneur is driven by a mix of thinking skills, personality traits, and the world around you (Llados-Masllorens & Ruiz-Dotras 2021), including factors like savings behaviour (Alshebami & Marri 2022) and economic necessity (Llados-Masllorens & Ruiz-Dotras 2021). Additionally, understanding the role of financial literacy in shaping entrepreneurial intent becomes essential as it influences decision-making processes related to business ventures, thereby impacting the likelihood of entrepreneurial success.

2.3. Financial literacy

Financial literacy plays a crucial role in the development and progress of any country, particularly in developing countries (Arif 2015; Lusardi & Mitchells 2014; Worthington 2005). Countries experiencing inequality, poverty, and social transformation rely on equipping their citizens with the necessary financial knowledge and skills in their journey towards sustainable development. Financial literacy plays a significant role in empowering individuals and communities, which could reduce poverty and inequality, promote economic stability, encourage entrepreneurship and innovation and strengthen financial inclusion. Financial literacy is ultimately an investment in human capital (Lusardi & Mitchells 2014)

Entrepreneurs have higher financial literacy than salaried workers (Muñoz-Céspedes et al. 2023). Financial literacy encourages entrepreneurship and innovation by giving individuals the knowledge and confidence to start and manage their own businesses. Financial literacy empowers aspiring entrepreneurs to overcome funding hurdles, a commonly cited barrier to launching new ventures (Li

& Qian 2020). By equipping them with knowledge of financial resources and funding options, financial literacy can be a critical tool for securing the capital needed to bring business ideas to life and avoid costly mistakes (Alshebami & Marri 2022). Therefore, financial literacy could be seen as a cornerstone of entrepreneurial talent, as evidenced by its close association with entrepreneurship. This ability to grasp financial concepts and manage resources effectively (as measured by financial literacy) is crucial throughout the entrepreneurial journey.

Unfortunately, unemployed individuals often lack the requisite expertise, intrinsic entrepreneurial traits, and capital or collateral to initiate business ventures where a high level of unemployment coincides with a low level of entrepreneurial activities (Musa & Semasinghe 2013). Financial limitations are often a key barrier (Shelton 2005), where access to finance is a particularly significant hurdle for aspiring entrepreneurs, and financial knowledge could empower individuals to overcome this obstacle.

Numerous studies have explored the impact of financial literacy on various aspects potentially influencing business sustainability (Nik Azman et al. 2023), financial access (Changweshwa & Mutezo 2023), strategic decision-making (Sharma 2022; Peter & Gupta 2024), entrepreneurial capacity (Chhabra et al. 2023; Seraj et al. 2022) entrepreneurial behaviour, business interruption insurance (Ricci & Santilli 2024) entrepreneurial involvement and performance (Li & Qian 2020) and investment strategies (Iram et al. 2023). These studies have linked financial literacy to entrepreneurship, and several reviews on this topic have been explored to reiterate the role of financial literacy on entrepreneurship (Abad-Segura & González-Zamar 2019; Azmi et al. 2020; Cossa et al. 2018; Khyareh & Zivari 2023; Pandey & Gupta 2018).

Abad-Segura and González-Zamar (2019) conducted a bibliometric analysis of 665 publications (1990-2018 search results from Scopus) exploring global research trends on financial literacy's impact on individual entrepreneurial creativity. Findings reveal a sustained increase in publications, contributing journals, and participating institutions/countries. The study suggested a growing, global research field with potential implications for developed and developing economies. Cossa et al. (2018) conducted a systematic literature review to explore the relationship between financial literacy and entrepreneurship in Mozambique. They reviewed academic papers, surveys, and empirical literature, which revealed that entrepreneurship is crucial for poverty reduction, job creation, and economic growth. Furthermore, financial literacy empowers individuals to make sound financial decisions, enhances entrepreneurial skills, and promotes confident management of savings and finances. Pandey and Gupta (2018) reviewed the literature on the level of financial literacy of entrepreneurs, how it influences their use of financial products and the impact it has on business performance. Azmi et al. (2020) analysed financial literacy and entrepreneurship research from 2010 to 2020, including 44 articles from the Scopus database and categorised publication year, journal type, research approach, authorship, and study type. Their findings reveal publication patterns and potential

future research directions. Khyareh and Zivari (2023) completed a literature review on the role of financial literacy in entrepreneurial development, employing a comprehensive search of journals on the Web of Science. Their analysis suggests that enhancing financial literacy and entrepreneurship knowledge through school education could be a means to foster a more entrepreneurial spirit.

The above studies have revealed a positive link between financial literacy and entrepreneurial endeavours. While higher financial literacy can positively impact various facets of entrepreneurship, this study investigates whether this correlation also extends to entrepreneurial intent, particularly in light of prevailing high unemployment rates.

2.3.1. Financial literacy in developing countries

Financial literacy is a global problem (Lusardi 2019). Studies consistently show low levels worldwide, even in developed nations (Refera et al. 2016). A 2015 global survey found only 33% of adults had adequate financial knowledge (Bhutoria & Vignoles 2018; Klapper et al. 2016). In developing countries like South Africa, personal financial crises have become a significant concern (Desai 2022; Dhlembeu et al. 2022; Fubbs 2017). Several South African studies have measured individuals' level of financial literacy. A longitudinal study found evidence that South Africans have low levels of financial knowledge (Roberts et al. 2014). A follow-up study several years later concluded the same, where a significant portion of South African adults do not have sufficient financial literacy levels (Roberts et al. 2018). Another South African study challenged the assumption of universal financial literacy. They built an index based on financial behaviours (2005-2009) and found significant differences by age, education, location, and race (Nanziri & Leibbrandt 2018). These demographics explained 10% of the financial literacy gap, highlighting the need for targeted financial education programs. The financial literacy gap is widest among the unemployed and youth compared to those in stable employment and retirees.

Developing countries with high unemployment and low financial literacy present a significant hurdle for aspiring entrepreneurs. Targeted financial literacy programs could prove instrumental in equipping individuals with the knowledge and skills to navigate the financial complexities of starting and running a business. Furthermore, if financial literacy cultivates entrepreneurial intention, it could offer valuable insights for policymakers seeking to address unemployment and poverty.

2.3.2. Financial literacy and entrepreneurship in a developing country

Business failure has been a recurring focus in financial research (Rashid et al. 2024). Like many other developing countries, South Africa grapples with high small and medium enterprise failure rates (Fatoki 2021). Limited access to finance and low financial literacy among owners are suspected culprits. Several studies in South Africa shed light on the role of financial literacy and entrepreneurship, arguing that financial literacy is closely related to businesses and their performance.

Maziriri and Chivandi (2020) examined the role of financial literacy as one of the factors in the performance of entrepreneurs and poverty reduction when considering the slow rate of the development of small and medium businesses. The study focussed on the ability and competencies to plan the business' money and spending and grasp monetary concepts. As one of the factors identified to influence entrepreneur performance positively, the study found that higher levels of financial literacy are associated with higher levels of entrepreneur performance. Fotaki (2021) investigated how financial literacy interacts with access to finance, potentially influencing small and medium businesses' performance in South Africa. The research found that financial literacy doesn't just influence access to finance; it also plays a moderating role. This means that for small and medium businesses with higher financial literacy, access to finance has an even stronger positive effect on their performance. Ngek (2016) explored the link between financial literacy, access to capital, and small and medium business performance in the Free State province. The research found that small and medium businesses generally have low financial literacy and capital levels. However, interestingly, businesses with higher financial literacy performed better, and this effect was even stronger for those with greater access to capital. Oseifuah (2010) found that young entrepreneurs in a specific South African district displayed above-average financial literacy. Although Fatoki (2014) suggests a broader trend of low financial literacy among new micro-entrepreneurs. Eresia-Eke and Raath (2013) examined established small and medium businesses and found no direct link between owner financial literacy and business growth. Riepe et al. (2022) found that the relationship between risk preferences and financial literacy is closely intertwined regarding their impact on individuals' ability to become entrepreneurs.

In conclusion, financial literacy emerges as a critical building block for success across various aspects of entrepreneurship in a developing country like South Africa (Liu et al. 2023). However, considering the primary focus of this paper - harnessing entrepreneurship to combat poverty and unemployment – the focus shifts to the initial spark: intention. The current body of research on the relationship between financial literacy and entrepreneurial intention remains relatively limited. This necessitates further investment in a comprehensive review of existing international studies in this domain. Therefore, financial literacy's role in cultivating an entrepreneurial drive will be the cornerstone of the exploration in the following sections.

3. Research Methodology

In the initial phase of this literature review, a comprehensive search strategy was employed to identify relevant academic sources. Search terms encompassing “financial literacy” AND “entrepreneur”. The keyword “entrepreneur” is utilised as it encapsulates various aspects of entrepreneurial activity, including “entrepreneurship”, “entrepreneurial”, “entrepreneurs”, “entrepreneur intention” etc. This terminology includes all research on the multifaceted nature of entrepreneurship. Furthermore, the

broad term “entrepreneur” encompasses the diverse range of individuals who initiate and manage new business ventures. Scopus and Web of Science were chosen as the primary databases for identifying relevant literature based on their comprehensiveness, reputation and search functionality. Subsequently, a rigorous examination of the retrieved articles was undertaken. This process involved evaluating each article’s focus, methodology, and findings to determine its direct correlation to the influence of financial literacy on entrepreneurial intention. Although aspiration, potential and intention are not the same concepts, they are often linked in entrepreneurship, where aspirations and potential influence intention by shaping an individual’s beliefs about their ability to succeed in entrepreneurship. Subsequently, terminology like ‘entrepreneurial aspirations’ and ‘potential’ was included in the overall search for entrepreneurial intention. Articles that demonstrably explored this connection were then selected for further analysis. This selection process ensured a strong foundation for this research by collecting credible and directly relevant sources. A PRISMA flowchart was employed (Moher et al. 2009) to ensure transparency in reporting the literature review process, as seen in Figure 1.

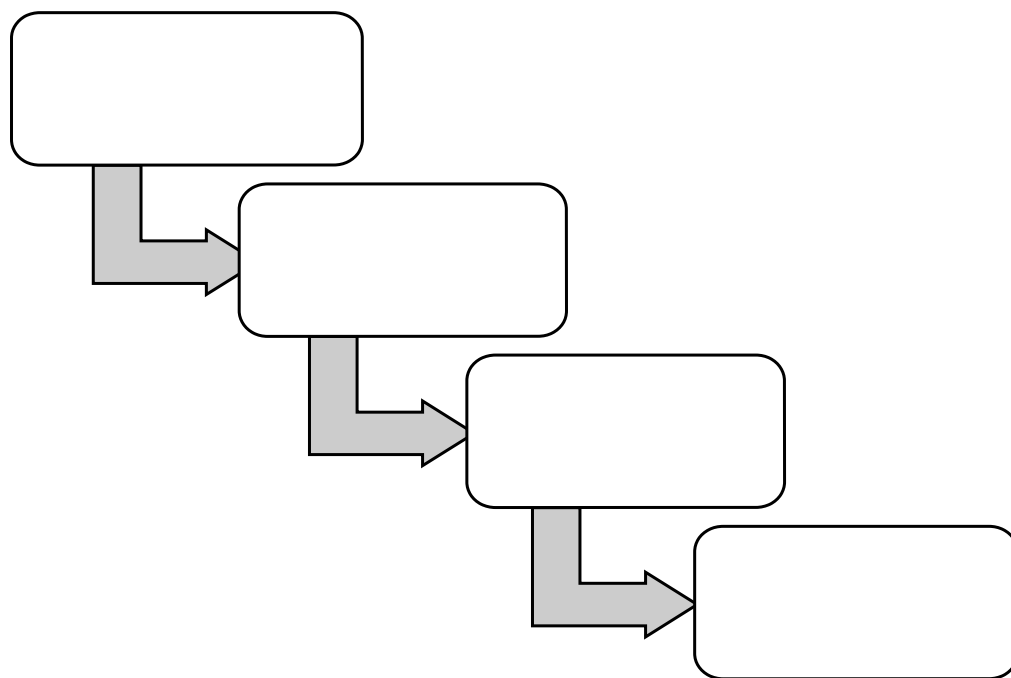


Figure 1: Articles reviewed and identified

Source: Author’s own construction.

3.1. Ethics

Ethical approval was received from a large public university in South Africa by the relevant research ethics committee; study approval number 24SOM09. The study did not include human or animal research and only included secondary public data.

4. Results and Findings

Ten articles were identified from all screened articles focusing on financial literacy and entrepreneurial intent, as seen in Table 1. The studies encompass a diverse range of countries, including both developed and developing nations: Malaysia, Pakistan, the Republic of Congo, China (two studies), Spain (two studies), Italy, and the Netherlands. According to Trading Economics, the unemployment rate for these countries is as follows in brackets: Malaysia (3.3%), Pakistan (5.75), the Republic of Congo (21.8%), China (5.2%), Italy (7%), Spain (11.27%), Netherlands (3.6%) (Trading Economics n.d.). The global unemployment rate in 2023 was 5.1% (Ventura 2024). Pakistan, China, Italy, Spain and the Republic of Congo are above the global average, and the Republic of Congo has very high unemployment rates. All the studies found some link or association between financial literacy and entrepreneur intent, except for two (Alshehemi & Marri 2022; Ruiz-Dotras & Lladós-Masllorens 2022). Alshehemi and Marri (2022) identified a surprising disconnect between financial literacy and entrepreneurial intention. They noted that external factors beyond financial knowledge might explain this unexpected result. These potential entrepreneurs (students from a university in Saudi Arabia) may face limitations imposed by the surrounding environment despite wanting to start a business. Formal and informal institutions, or a lack of crucial financial backing, could hinder their efforts and lead them to shelve their entrepreneurial dreams. Furthermore, Ruiz-Dotras and Lladós-Masllorens (2022) noted that financial literacy alone is insufficient to influence entrepreneurial intent for Spanish university students; however, it was pointed out that low financial literacy discourages individuals from starting businesses, high financial literacy alone doesn't guarantee entrepreneurial aspirations. An interesting observation is that both studies included surveys from university students. The remaining articles identify a positive association between financial literacy and entrepreneurial intent. These studies included students (Abd Rashid et al. 2024; Lladós-Masllorens & Ruiz-Dotras 2022), entrepreneurs (Bilal et al. 2021; Ephrem & Murimbika 2023), rural households in China (Guo et al. 2024; Liu et al. 2023) and datasets from the bank of Italy (Oggero et al. 2020) and De Nederlandsche Bank (Riepe et al. 2022).

Lladós-Masllorens and Ruiz-Dotras (2021) explored the factors influencing entrepreneurial intention among female students enrolled at a Spanish online university employing clustering and logistic regression analyses. They found that financial and numerical skills may be influential factors in fostering an entrepreneurial mindset, facilitating the overcoming of hesitations, and enhancing recognition of business prospects. This is particularly notable when women are driven to augment their autonomy and income. Abd Rashid et al. (2024) explored how financial literacy (subjective norm) and technology use influence young Malaysian students in agricultural fields' desire to become international entrepreneurs. It finds that higher technology adoption strengthens the link between financial literacy and entrepreneurial intent, while lower adoption weakens it. These findings

highlight the significant impact of technological adoption on altering the relationship between youth's intention to become international entrepreneurs and their financial literacy.

Rural residents in developing countries often face a double disadvantage: limited educational opportunities and a scarcity of natural resources that could fuel entrepreneurial ventures. This is also relevant in South Africa, where rural households have higher unemployment (Klasen & Woolard 2009). Liu et al. (2023) focussed on rural households in Jiangsu, China, noting that urban residents face more restricted factors. They explored how financial literacy impacts the entrepreneurial decisions of rural households in China, considering risk preferences and credit constraints. Liu et al. (2023) found a strong correlation between higher financial literacy and the likelihood of rural households starting businesses. Similarly, Guo et al. (2024) explored how financial literacy impacts the entrepreneurial activities of people living in rural households in Guangdong Province, China. The study found a positive correlation between financial literacy and entrepreneurial intention, suggesting people with stronger financial knowledge are more likely to become entrepreneurs.

Bilal et al. (2021) demonstrated a positive correlation between financial literacy and the entrepreneurial intent of the youth in Pakistan. They suggested that equipping young people with strong financial knowledge and positive financial attitudes can increase their likelihood of pursuing entrepreneurial ventures. Promoting financial literacy programs in South Africa becomes even more critical to empower youth and stimulate economic growth through entrepreneurship, where the youth are vulnerable. Further bolstering the argument for youth financial literacy programmes is the high level of financial literacy among young entrepreneurs in South Africa's Vhembe District (Oseifuah 2010) and a positive correlation between financial literacy and entrepreneurial achievement in the disadvantaged community in Khayelitsha (Munyiki & Jonah 2022). These entrepreneurs have a higher financial literacy score than the national average. The relationship between financial literacy and entrepreneurial potential highlights the critical role of empowering young South Africans with financial literacy to pursue entrepreneurial ventures and drive economic growth. While limitations in these studies call for further investigation, these studies resonate with Bilal et al. (2021) argument to equip the young with financial knowledge and attitudes.

Oggero et al. (2020) surveyed Italian households to see how financial literacy, digital skills, and gender affect the likelihood of starting a business. Men with strong financial literacy and digital skills were more likely to be entrepreneurs, but this wasn't true for women. This suggests a gender gap in how these factors influence entrepreneurial aspirations. Oggero et al. (2020) highlight a potential gender gap in the factors that encourage people to pursue entrepreneurship. The study suggests a need for further investigation into the reasons behind these disparities and possible strategies to bridge this gap and empower women entrepreneurs in Italy.

The Democratic Republic of Congo (DRC) faces challenges similar to those in South Africa regarding the unemployment rate, where the DRC has a high unemployment rate (Ephrem & Murimbika 2023). Ephrem and Murimbika (2023) employed a multi-step approach to improve how entrepreneurial potential is measured by creating a new, well-rounded assessment tool. The approach included a literature review, interviews with successful entrepreneurs in DRC, and surveys from experts. They found that financial literacy was omitted in previous entrepreneurial potential measures. Financial literacy together with the other sub-dimensions, can predict an entrepreneur’s potential for success, even though these skills are often overlooked in traditional measures of entrepreneurial potential. However, entrepreneurial potential emerges from the interplay of sub-dimensions, not from any of them alone.

Riepe et al. (2022) examined how financial literacy interacts with risk tolerance when people decide to become entrepreneurs. They analysed De Nederlandsche Bank’s Household Survey data and ran experiments with European startups. They found that people with lower financial literacy who became entrepreneurs were more risk-averse than those who didn’t start businesses. However, this difference disappeared for entrepreneurs with high financial literacy. These findings suggest financial knowledge can empower even risk-averse people to pursue their entrepreneurial dreams.

The ten articles identified are summarised in Table 1 for a summary of the key focus, method and findings.

Table 1: Sample Table

Authors Country Citation	Key focus	Method/Data collection	Findings
Abd Rashid et al. (2024). Malaysia (0)	The study investigated young Malaysians’ aspirations towards international entrepreneurship, assessing the correlation between various facets of financial literacy and technological adoption, along with the impact of technological adoption on the aspirations of young individuals to engage in international entrepreneurship.	A quantitative approach was followed with a one-time survey (cross-sectional design) collected from university students in agricultural fields.	Higher levels of technological adoption are positively associated with the correlation between youth’s financial literacy and their intention to become international entrepreneurs. In contrast, lower levels of technological adoption exhibit the opposite pattern.
Bilal et al.	This study investigates	A quantitative approach was	This study demonstrates a

<p>(2021) Pakistan (8)</p>	<p>the relationship between Financial Literacy and Youth Entrepreneurial Intent in Pakistan.</p>	<p>employed, utilising a closed-ended, self-administered structured questionnaire distributed to young entrepreneurs in Pakistan.</p>	<p>positive and significant relationship between financial literacy and entrepreneurial intention among young people. This connection is further strengthened when considering the two components of financial literacy: financial knowledge and financial attitude.</p>
<p>Ephrem & Murimbika, (2023) Democratic Republic of Congo (DRC) (1)</p>	<p>The focus of the study is to address the limitations of existing entrepreneurial potential (EP) measurements found in the literature by developing a new, concise, and comprehensive instrument.</p>	<p>The study employed a multi-step approach, which involved specifying the construct domain name, conducting a comprehensive literature review, administering structured interviews with successful entrepreneurs in DRC, surveys from experts, conducting semantic validation, and performing statistical validation using data collected from two waves of samples comprising both employees and entrepreneurs.</p>	<p>Financial literacy is a significant entrepreneurial behaviour that was omitted in EP measures delineated in previous literature. Financial literacy and other sub-dimensions can predict an entrepreneur's potential for success, even though these skills are often overlooked in traditional measures of entrepreneurial potential.</p>
<p>Guo et al. (2024) China (0)</p>	<p>This study explores how financial literacy impacts the entrepreneurial activities of people living in rural China.</p>	<p>Data from a survey conducted in 2022 of rural residents in Guangdong Province, China, was analysed.</p>	<p>The study found a positive correlation between financial literacy and entrepreneurial intention, suggesting people with stronger financial knowledge are more likely to become entrepreneurs.</p>
<p>Lladós-Maslloréns & Ruiz-Dotras (2021) Spain</p>	<p>The study seeks to ascertain how financial skills influence the entrepreneurial intentions of women engaged in university</p>	<p>Quantitative approach with surveying online Spanish female students using clustering and logistic regression to identify what factors make women</p>	<p>Financial literacy can be a powerful tool for fostering a more entrepreneurial society, especially for women. While confidence in entrepreneurial self-efficacy is essential, the</p>

(13)	education.	students they're more likely to want to start their own businesses.	findings show that strong financial and math skills are crucial for starting a business.
Liu et al. (2023) China (3)	This study explores how financial literacy impacts the entrepreneurial decisions of rural households in China, considering risk preferences and credit constraints.	A qualitative approach using a survey of rural households employs a combination of statistical methods, including IV-probit, stepwise regression, and moderating effects analysis, considering factors like credit limitations and risk tolerance.	The research findings consistently demonstrate a positive relationship between financial literacy and entrepreneurship among rural households, regardless of additional control variables or potential biases. Increased financial literacy empowers rural households to embark on entrepreneurial ventures.
Oggero et al. (2020) Italy (44)	This study explores the attitudes towards entrepreneurship in Italian households, specifically focusing on how financial literacy, digital skills, and gender influence the likelihood of starting a business.	The study employed a survey research method utilising data from the Survey of Household Income and Wealth (SHIW) conducted by the Bank of Italy.	The research reveals a significant difference between men and women regarding the impact of financial literacy and digital skills on entrepreneurial aspirations. For men, both financial literacy and digital skills were positively correlated with a higher likelihood of being an entrepreneur. In contrast, the study found no significant link between financial literacy and entrepreneurial interest for women. Similarly, digital skills didn't appear to influence their entrepreneurial tendencies significantly.
Riepe et al. (2022) Nederland (15)	This study investigates the combined effects of financial literacy and risk tolerance on the decision to become an entrepreneur.	The study used a quantitative approach by analysing two datasets, first from the De Nederlandsche Bank's Household Survey, comparing risk aversion between entrepreneurs and wage earners with varying	The research reveals that the difference in risk tolerance between entrepreneurs and non-entrepreneurs depends on their financial literacy. Individuals with lower financial literacy who become entrepreneurs tend to be more

		levels of financial literacy. Secondly, they conducted a controlled experiment with high-tech startups in three European countries to confirm their findings.	risk-averse than non-entrepreneurs in the same category. The difference in risk tolerance disappears for entrepreneurs with high financial literacy.
Ruiz-Dotras & Lladós-Masllorens (2022) Spain (3)	This study examines the characteristics of potential entrepreneurs by looking at their motivations, personal qualities, and surrounding influences. It categorises them into distinct groups based on their entrepreneurial self-confidence (self-efficacy), financial literacy, and numeracy skills.	Data was collected via a survey at an online Spanish university.	The research reveals that financial skills, self-efficacy, and numeracy factors shape different profiles of aspiring entrepreneurs. While low financial literacy discourages individuals from starting businesses, high financial literacy alone doesn't guarantee entrepreneurial aspirations. The study found that self-belief in one's entrepreneurial abilities appears to be the most significant factor driving the decision to launch a new venture.

Source: Reference or Own compilation

The review of existing literature revealed a complex and nuanced relationship between financial literacy and entrepreneurial intention. The review indicates a correlation between financial literacy and entrepreneurial inclination. While studies from a diverse range of countries generally suggest a positive association, the strength and nature of this link are influenced by a multitude of factors. These factors include technological adoption, risk tolerance, gender, specific financial literacy components, and socio-economic conditions. While financial knowledge can alleviate concerns and provide a solid foundation for entrepreneurship, it is not the sole determinant. Other factors, such as cultural norms, personal characteristics, and access to resources, also play significant roles in shaping entrepreneurial motivations.

Moreover, the research suggests that the impact of financial literacy on entrepreneurial intention may vary across different demographic groups. For instance, studies have indicated that women may face unique challenges and opportunities in terms of entrepreneurship, and their financial literacy may play a crucial role in their decision-making processes. Additionally, a country's financial development level can influence the relationship between financial literacy and entrepreneurial activity. In regions

with more robust financial systems and institutions, individuals may have greater access to the resources and support needed to pursue entrepreneurial ventures.

The review revealed a potential gender disparity in entrepreneurial motivations. This finding underscores the need for further research to explore the factors contributing to this gap and identify strategies for promoting greater gender equality in entrepreneurship. Future research should delve deeper into gender differences, investigating the specific factors influencing entrepreneurial intentions among men and women, such as cultural norms, societal expectations, and access to resources. Additionally, expanding the scope of studies to include diverse populations, including individuals from different socio-economic backgrounds, ethnicities, and age groups, is essential to ensure that the findings are representative and generalisable. Moreover, employing longitudinal designs to track individuals over time can provide a more comprehensive understanding of how financial literacy and other factors evolve and influence entrepreneurial intentions. Furthermore, future research should examine the role of financial education in fostering entrepreneurial aspirations among the unemployed, particularly in developing countries with high unemployment rates. Addressing these research questions will offer a more comprehensive understanding of the relationship between financial literacy, gender, and entrepreneurial intentions and inform policies and programs promoting entrepreneurship and economic development.

In conclusion, while the research provides evidence of a positive association between financial literacy and entrepreneurial intention, it is essential to recognise this relationship's complexity and multifaceted nature. A comprehensive understanding of the factors influencing entrepreneurial motivations requires a nuanced and multidisciplinary approach considering individual and contextual factors.

5. Managerial Implications

This research highlights the potential of financial literacy programs to foster entrepreneurship in developing countries with high unemployment rates. The positive correlation between financial literacy and entrepreneurial intention suggests that equipping the unemployed and young people with financial knowledge and skills could empower them to pursue self-employment. Numerous studies have found a direct relationship between financial literacy and education (Barua et al. 2018; Liu & Lin 2021; Tan et al. 2022; Wagner 2019). While other elements contribute to behavioural change, financial education is essential for fostering financial literacy and positive financial behaviours (Arlinghouse & Johnston 2018). Furthermore, the quality of education, not merely the quantity of schooling, is a crucial determinant of financial literacy (Karakurum-Ozdemir et al. 2019). By providing financial education initiatives, managers in government agencies, NGOs, and educational institutions can cultivate a more entrepreneurial spirit within the workforce, potentially leading to increased business creation and job opportunities. This approach could contribute to a more robust economy and a brighter future for developing countries like South Africa.

6. Conclusions, Limitations and Future Research

The analysis of existing research revealed a scarcity of studies focusing on the connection between financial literacy and entrepreneurial intent. Only ten publications were found, and these studies encompassed a diverse range of countries, including developed and developing economies with various unemployment rates. The findings underscore the multifaceted relationship between financial literacy and entrepreneurial intention. Most studies suggest that people with stronger financial knowledge are more likely to become entrepreneurs. Financial literacy can alleviate the concerns and anxieties that often prevent individuals from pursuing entrepreneurial ventures by providing a solid understanding of financial concepts. Subsequently, the findings reveal a positive association between financial literacy and individuals' intentions to start their own businesses; however, these associations may be mediated by external factors that extend beyond financial knowledge. The findings suggest that while a positive correlation is generally observed, the strength and nature of this link are influenced by factors like technological adoption, risk tolerance, gender, and specific financial literacy components. This research indicates a potential gender disparity in entrepreneurial motivations. The review highlights areas for future research, including the following: Further exploration is needed to understand the gender gap difference in entrepreneurial intention. Further studies across diverse populations and employing longitudinal designs are warranted to provide a more comprehensive picture. Further research should examine the role of financial education in fostering entrepreneurial aspirations among the unemployed population, with a particular focus on developing countries facing high unemployment challenges.

In the context of developing countries, like South Africa, with high unemployment, this review guides policymakers on the role of financial literacy in entrepreneurial intention. In addition to financial literacy, other factors can mediate the relationship between financial education and entrepreneurial intentions. Policyholders should consider these factors when making decisions about financial education. Furthermore, the findings should be interpreted with caution, and generalisability might be limited by sample selection and research contexts.

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